

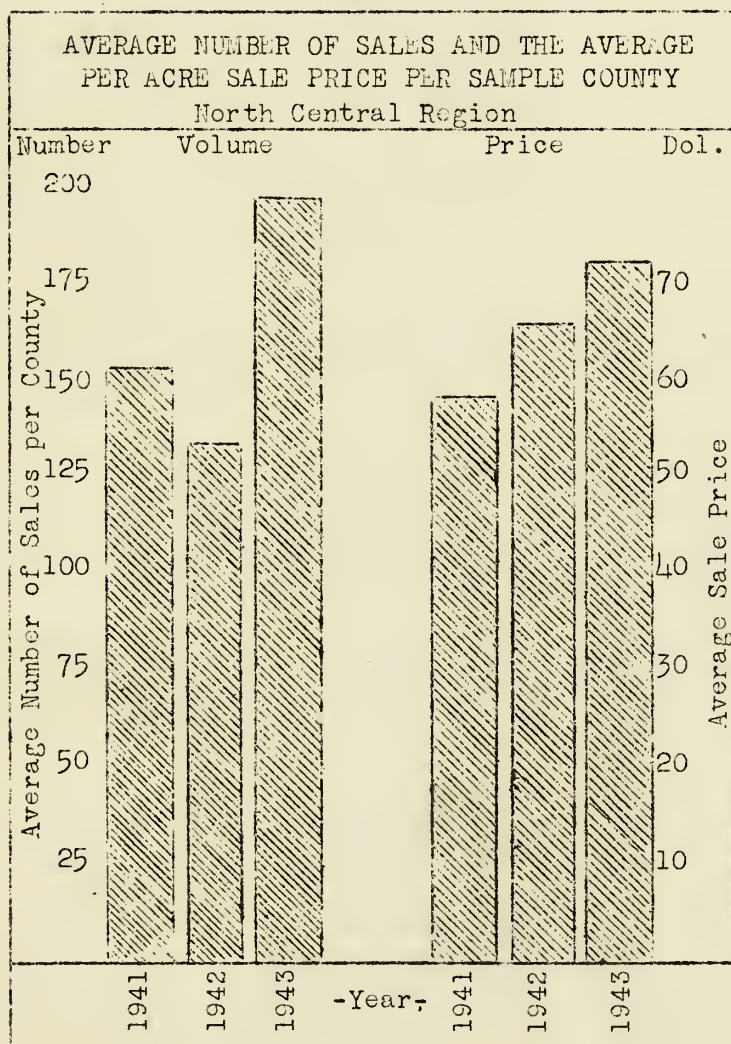
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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

WARTIME LAND MARKET SURVEY IN THE
NORTH CENTRAL REGION

Fourth Quarter 1943



Milwaukee, Wisconsin

February 1944

Summary

Volume: The volume of land transfers for the present quarter is 88 percent higher than for the same period of 1942. The cash grain area of Illinois and Indiana was the only area showing a decrease over the year previous.

Purchasers: Almost three-quarters of the tracts transferred have been purchased by farmers. This is the highest proportion of farmer purchasers attained in any quarter of the survey. Although the number of nonfarmer purchasers declined, the proportion of these persons planning to operate increased markedly over last quarter.

Sellers: Little change in the type of seller has occurred since the previous quarter. The Cotton Area far exceeded other areas in the percent of land sold by individuals.

Prices: The average sale price of farm land transferred in the fourth quarter of 1943 is 15 percent higher than for the same period of 1942. The only decrease in price from a year earlier occurred in the Illinois-Indiana Cash Grain Area.

Buyers Equity: Fifty-two percent of the individuals purchasing land have been able to pay cash for the land they bought. This is the same percent as paid cash in the previous quarter. Those who mortgaged their land retain only a 39 percent equity in the property.

Mortgage Financing: Sellers financed thirteen percent of the land purchased in the current quarter. This represents 41 percent of all the mortgage financed purchases. Insurance companies did their largest business in the Corn Belt Area.

Resales: Land resold within two years of the purchase date averaged only 10.6 percent of the third quarter sales. However, they have reached a much greater proportion in some counties.

Outlook: The continuation of favorable agricultural prices and large nonfarm incomes, coupled with the present heavy debt reduction, will create greater reserves of purchasing power. The probable result will be higher prices being paid for land.

WARTIME LAND MARKET SURVEY 1/
Fourth Quarter, 1943 2/ -

Introduction

A popular adage tells us that "experience is the best teacher." However, it appears we have forgotten much we learned from our experience in the World War I land boom. For once again our nation is facing the possibility of wartime inflation upsetting the national economy. Recent developments in the land market so closely resemble the era of World War I that congressional action has been taken to introduce control measures.

The amount of activity in the land market provides a simple barometer for measuring the degree of national prosperity. Just where the optimum degree of prosperity ends and inflation begins cannot be measured. However, for the individual investing in farm land, inflation has begun when the purchase price of the farm is based on a continuation of present agricultural prices. This is the disastrous mistake made in the World War I land boom. The attitude of "We farmers have been deflated so long that we would welcome a little inflation," expressed by an Audrain County, Missouri, farmer is dangerously popular.

There is a definite tendency to revise our conception of normal values with rising prices. For this reason many people expect present prices to continue. It should be impressed upon the farmer as well as the war worker that present large incomes cannot be expected to continue after the war.

The one bright spot in the whole development is that this time we have not allowed ourselves to become so deeply indebted. Can we or will we continue this good record? If we do, our experiences in the deflationary period will be less severe.

Years of good crops and favorable prices are attracting surplus funds to farm land. Continued larger incomes and the heavy debt retirement in the past two years will leave even larger sums to bid up the price of land.

1/ Assistance in collecting and tabulating the data for this survey was provided by members of the departments of agricultural economics in Illinois, Indiana, Iowa, Missouri, Minnesota, Michigan and Ohio, and by members of the B.A.E. staff.

2/ This report is the eighth in a series presenting current information on farm real estate activity in selected counties in the North Central Region. The data include only bona fide sales transfers and were obtained from deed and mortgage records in local county recorders' offices. The information on buyers and sellers was obtained primarily from mail questionnaires and was supplemented in some counties by information from local people. A list of sample counties is given in the Appendix.



**FIGURE 1.-- MAJOR
LAND MARKET SURVEY
AREAS AND SAMPLE COUNTIES,
NORTH CENTRAL REGION.**

TABLE 1. Average Number of Recorded Voluntary Farm Real Estate
Sales per sample county for 1942 and 1943 in the North
Central Region 1/

	1942 Quarters				1943 Quarters <u>2/</u>			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
	(Number)							
<u>CORN BELT AREAS</u>	43	20	17	17	54	39	22	25
Central Indiana-Ohio	39	31	25	30	66	50	39	62
Illinois-Indiana Cash Grain	41	17	20	19	48	27	18	15
Illinois-Iowa Livestock	47	23	16	16	53	30	13	19
Central and Northern Iowa	45	16	12	11	49	40	18	15
Western Iowa	40	14	16	9	62	50	23	13
<u>CORN BELT FRINGE AREAS</u>	48	20	13	25	55	49	35	45
Toledo General Farming	46	21	15	32	63	70	39	49
Kankakee River	39	26	15	21	36	26	20	3/
Lower Wabash River	29	25	13	29	50	44	40	60
Missouri Putnam Soils	58	30	16	28	60	42	32	71
Iowa-Missouri Pasture	66	21	12	34	86	48	32	38
Maryville-Greenfield Livestock	95	16	18	18	97	69	44	42
Southern Minnesota	24	16	10	16	18	30	25	26
LaCrosse-Dubuque Livestock	40	15	9	23	50	35	25	29
Central Michigan	3/	3/	3/	3/	52	62	55	65
<u>DAIRY AREAS</u>	40	32	22	28	45	60	48	60
Northeastern Ohio	50	58	28	42	54	69	57	54
Lake Michigan	42	24	20	26	46	60	48	69
East St. Louis	22	26	22	18	31	45	38	39
<u>GENERAL FARMING AREAS</u>	38	28	27	36	50	67	57	80
Southeastern Ohio	33	29	20	30	40	75	62	43
Southeastern Indiana	34	31	32	30	45	49	54	75
Southwestern Missouri Plains	47	36	34	54	90	88	72	83
Central Minnesota-Wisconsin	66	46	51	48	54	73	67	113
Red River Valley	22	14	16	27	20	27	14	37
<u>MISSOURI-ILLINOIS COTTON AREA</u>	34	15	13	42	15	19	17	52
<u>REGIONAL AVERAGE</u>	43	23	16	26	52	51	37	49

1/ Deeds dated and recorded within the same quarter for 1942. The 1943 numbers include in addition deeds dated in the preceding month but recorded in that quarter of 1943.

2/ Revised

3/ Not available

4/ Estimate

VOLUME

The number of real estate transfers in 1943 was 47 percent greater than the number transferred in 1942 (table 2). The Dairy area and the corn-belt fringe area were the areas of greatest increase. The volume of resales does not indicate that the cause of the increase was due to the resale of land within the year. Therefore, it must be assumed that the bulk of the transfers were new sales. The year did provide a profitable opportunity for those to "get out" who were contemplating retiring and for those going into industry or elsewhere with the idea of "buying in" at deflated prices. Still others with an eye to a deflating period were buying a home to which they might turn in a period of unemployment.

The decline of 16 percent in the number of transfers which occurred from 1941 to 1942 can largely be explained by land passing out of the hands of unwilling owners into the hands of individuals desiring ownership for one reason or another.

:TABLE 2. Average Number of farmland transfers				:
Per Sample County				:
:Year	1941	1942	1943	:
:Number	157	135	198	:

The volume of transfers for this quarter is 88 percent higher than for the same period of 1942. In only one sub-area was there fewer sales this quarter than in the fourth quarter of 1942 (table 1). This was in the cash grain area of Illinois and Indiana - one of the three highest land value areas of this region. This same area showed the only decrease in land value for the region for these comparable quarters.

This is a relatively inactive season for the land market, but even so the average number of sales is only 3 less than the first quarter of the year which is the season of greatest activity.

The areas of greatest activity this quarter as well as the past two years are the dairy area and the general farming area. These areas have more than double the number of transfers which occurred in the fourth quarter of 1942.

PURCHASERS

Almost three quarter of the tracts transferred this quarter have been purchased by farmers (table 3). This is the highest proportion of farmer purchasers attained in any year of the survey and compares with 59 percent farmer purchasers in the 4th quarter of 1942 and 55 percent in the previous quarter (table 4).

TABLE 3. Farmers and nonfarmers buying farms and their intentions to operate or lease to others, Fourth quarter 1943, North Central Region

Area	Total transfers classified : Number	Farmers		Nonfarmers	
		To operate	To lease to others	To operate	To lease to others
		: Percent	: Percent	: Percent	: Percent
<u>CORN BELT AREAS</u>	201	58	12	9	21
Central Indiana-Ohio	127	66	2	9	23
Illinois-Indiana Cash Grain	29	52	17	3	28
Illinois-Iowa Livestock	15	73	7	20	0
Central and Northern Iowa	16	50	13	6	31
Western Iowa	14	57	22	7	14
<u>CORN BELT FRINGE AREAS</u>	324	66	11	6	17
Toledo General Farming	81	49	14	14	23
Lower Wabash River	57	65	12	5	18
Missouri Putnam Soils	67	73	3	10	14
Iowa-Missouri Pasture	37	78	3	0	19
Maryville-Greenfield Livestock	21	76	14	5	5
Southern Minnesota	29	73	10	0	17
LaCrosse-Dubuque Livestock	32	59	13	9	19
<u>DAIRY AREAS</u>	200	50	6	28	16
Northeastern Ohio	28	47	0	39	14
Lake Michigan	134	50	6	30	14
East St. Louis	38	55	16	5	24
<u>GENERAL FARMING AREAS</u>	320	68	8	9	15
Southeastern Ohio	42	48	7	21	24
Southeastern Indiana	88	50	9	23	18
Southwestern Missouri Plains	70	70	12	9	9
Central Minnesota-Wisconsin	80	76	6	6	12
Red River Valley	40	70	13	2	15
<u>MISSOURI-ILLINOIS COTTON AREA</u>	33	58	15	9	18
REGIONAL TOTAL	1078	62	10	10	18

This is indeed encouraging if our aim is to make owners of our farm operators. Many present farm owners have purchased tracts to increase the size and efficiency of their present farm unit. Another group of these farmer purchasers comes from retiring owners who have sold their larger farm to purchase a smaller farm. Although owner operators comprised the largest group of farmer purchasers in increasing number of tenants who find they now have the capital are purchasing farms. A few of these tenants are hedging against any sudden change in agricultural prices by planning to rent out their newly purchased farm for a few years. In this way they are hoping to accumulate enough cash from the income of two farms to secure their purchase.

TABLE 4. Proportion of Tracts of farm land Purchased by occupation and intent of Purchaser

	FARMERS			NON-FARMERS		
	1943			1943		
	To Operate	To Lease	to Others	To Operate	To Lease	to Others
1st Quarter	60	7	(Percent)	8	25	
2nd "	54	7		10	29	
3rd "	48	7		11	34	
4th "	62	10		10	18	

With the increase in farmer purchasers has also come a slight increase in the percent of these farmers who intend to rent their newly purchased farms. However, the increase is very small compared to the number who intend to operate their farm.

The percent of non-farmers purchasing land has consequently taken a sharp decline. In all areas except the dairy area the popular intention among non-farmer purchasers is to rent out their newly purchased farms (table 3). However, in the dairy area a decidedly larger number plan to operate the farms themselves.

Although the percent of buyers represented by non-farmers planning to operate has not changed since the previous quarter, the percent representing non-farmers planning to lease has been reduced almost by half. The result is a larger proportion of non-farmers planning to operate than prevailed last quarter.

SELLERS

In only one area has a significant change in the type of seller occurred since the previous quarter. The percent of nonfarmers selling land dropped from 33 percent in the third quarter to 26 percent for the present quarter (table 5). Individuals sold 70 percent of the land transferred this quarter compared with 68 percent in the third quarter.

TABLE 5. Types of owners selling farms, Fourth quarter, 1943
North Central Region

	Total transfers classified	Type of Seller				
		Owner operator	Non- farmer	Unclas- sified individ- uals	Estates	Corpor- ations and Gov't.
	Number	Pct.	Pct.	Pct.	Pct.	Pct.
<u>CORN BELT AREAS</u>	342	11	25	31	19	14
Central Indiana-Ohio	187	20	33	19	21	7
Illinois-Indiana Cash Grain	46	11	37	22	22	8
Illinois-Iowa Livestock	37	3	27	37	19	14
Central and Northern Iowa	46	11	15	50	15	9
Western Iowa	26	8	19	-	23	50
<u>CORN BELT FRINGE AREAS</u>	644	15	23	30	17	15
Toledo General Farming	197	9	21	45	19	6
Lower Wabash River	119	13	21	40	13	13
Missouri Putnam Soils	71	26	34	3	20	17
Iowa-Missouri Pasture	76	12	28	27	8	25
Maryville-Greenfield Livestock	84	6	10	52	10	22
Southern Minnesota	51	18	27	24	20	11
LaCrosse-Dubuque Livestock	46	26	20	15	26	13
<u>DAIRY AREAS</u>	407	18	25	35	16	6
Northeastern Ohio	54	17	20	42	19	2
Lake Michigan	275	20	26	36	12	6
East St. Louis	78	9	27	23	28	13
<u>GENERAL FARMING AREAS</u>	587	18	30	26	11	15
Southeastern Ohio	85	22	35	29	10	4
Southeastern Indiana	149	13	52	23	9	3
Southwestern Missouri Plains	166	19	26	47	6	2
Central Minnesota-Wisconsin	113	20	26	19	11	24
Red River Valley	74	9	34	26	13	18
<u>MISSOURI-ILLINOIS COTTON AREA</u>	52	54	36	4	4	2
REGIONAL TOTAL	2151	15	26	29	16	14

The cotton area far exceeded other areas in the percent of land sold by all individuals, but most strikingly in the number of owner operators selling land. This area is the only area where owner operators sold more land than other types of sellers and presents a reverse from last quarter.

Fifty-four percent of the owner operators who have sold land during the present quarter plan to continue farming (table 6). This represents an increase of 3 percent over last quarter and 11 percent over the second quarter of the current year. Many of these owner operators report they are selling tracts unsuitably located for convenient operation. Others report their sales were due to the shortage of help.

TABLE 6. Intention of Owner-operators who recently sold land, sample counties, fourth quarter, 1943
North Central Region

Area	Intent of owner-operators after selling land			
	Continue to farm	Work at other civilian occupations	In Armed Forces	Retire
	Percent			
Corn Belt Areas	78	1	0	21
Corn Belt Fringe Areas	46	12	0	42
Dairy Areas	37	9	0	54
General Farming Areas	42	17	2	39
Cotton Area	94	6	0	0
REGION	54	9	1	36

The rising percentage of owner operators selling land, and who intend to continue in farming has been accompanied by a declining percentage of such sellers who plan to go into other occupations or retire. The percent who have sold land because of entering the armed services has remained constant the past two quarters.

PRICES

Land prices continue to rise. The yearly average advance in land prices since 1941 for the North Central region has been approximately 10 percent (table 7). The average sale price of farm land transferred in the fourth quarter of 1943 is 15 percent higher than for the same period of 1942. Although this indicates slightly more than a one percent a month increase in land prices for the past year, the average price this quarter is $2\frac{1}{2}$ percent lower than it was during the previous quarter. Only the Illinois Indiana cash grain area showed a decrease in price from a year earlier. However, the other two comparable high priced land areas showed a 45 and 52 percent increase in price for the same period.

The greatest increase in price occurred in the LaCrosse-Dubuque live-stock area where land prices increased 59 percent over the fourth quarter

TABLE 7. Average per acre price of farm real estate changing ownership in sample counties, by areas, 1942 and 1943, in the North Central Region ^{1/}

Area ^{2/}	No. of sample counties for 1943	1941	1942	1943	Third Quarter 1943	Fourth Quarter 1943	Pct. Change 4th Quarter '43 over 4th Quarter 1942
		^{3/}	^{4/} ^{5/}		^{5/}		
	Number	Dollars					Percent
CORN BELT AREAS	17	89	98	113	119	112	+ 14
Central Indiana-Ohio	5	82	88	104	96	104	+ 17
Illinois-Indiana Cash Grain	3	124	140	149	167	128	- 15
Illinois-Iowa Livestock	3	84	93	110	120	96	+ 4
Central and Northern Iowa	4	84	94	112	118	128	+ 45
Western Iowa	2	67	68	78	82	82	+ 17
CORN BELT FRINGE AREAS	22	48	53	61	64	65	+ 20
Toledo General Farming	4	69	73	85	86	83	+ 19
Kankakee River	2	53	58	71	74	6/	6/
Lower Wabash River	2	38	44	56	58	64	+ 45
Missouri Putnam Soils	2	21	24	26	33	26	0
Iowa-Missouri Pasture	2	29	34	35	38	45	+ 22
Maryville-Greenfield Livestock	2	54	53	59	64	62	+ 11
Southern Minnesota	3	6/	60	65	81	73	+ 14
LaCrosse-Dubuque Livestock	3	6/	50	60	44	70	+ 59
Central Michigan	2	6/	6/	63	70	63	6/
DAIRY AREAS	9	68	70	79	89	88	+ 19
Northeastern Ohio	2	70	79	81	94	94	+ 16
Lake Michigan	5	71	72	84	94	96	+ 22
East St. Louis	2	54	52	59	66	54	+ 13
GENERAL FARMING AREAS	10	24	24	30	31	33	+ 27
Southeastern Ohio	2	25	28	27	26	29	+ 4
Southeastern Indiana	2	22	22	33	31	35	+ 52
Southwestern Missouri Plains	2	29	26	35	42	39	+ 44
Central Minnesota-Wisconsin	2	6/	22	30	31	33	+ 27
Red River Valley	2	6/	24	28	28	31	+ 29
MISSOURI-ILLINOIS COTTON AREA	1	78	93	139	155	154	+ 52
REGIONAL TOTAL	59	60	64	72	77	75	+ 15

^{1/} Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943 prices represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month. The names of sample counties are given in the Appendix.

^{2/} Areas and subareas are given weights in averages according to their size.

^{3/} For 33 sample counties only.

^{4/} For 57 sample counties only.

^{5/} Revised.

^{6/} Not available.

of 1942. In general it may be said that the largest increases occurred in the areas of below average priced land.

Persons who purchased ^{land} prior to the last land boom and sold in the current quarter received a higher price for their land than they paid for it. On the other hand, persons who bought land during the last land boom and sold in the current quarter are still receiving a price lower than the price paid (Figure 1). Land acquired in 1940 by these persons and sold this quarter increased 21 percent in price.

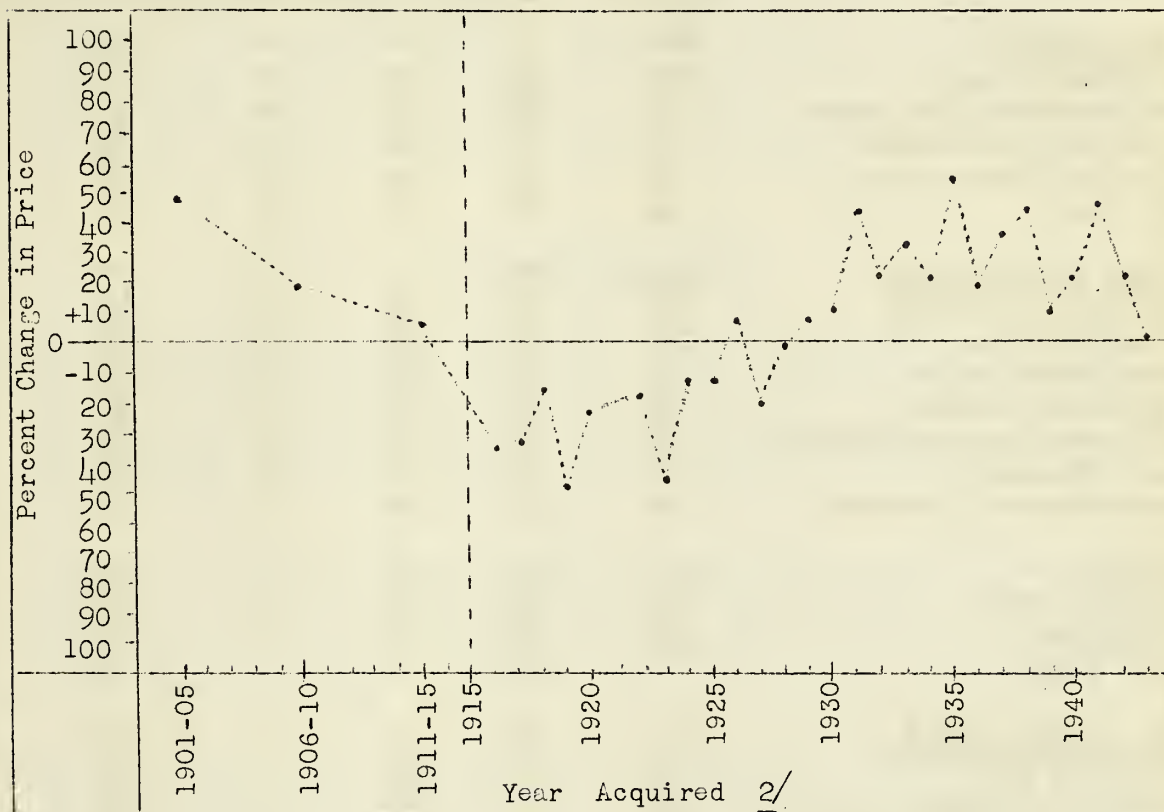


FIG. 1. The percentage change in price of land sold during the fourth quarter of 1943 from the price at which the land was acquired.^{1/}

^{1/} Based upon information contained in 226 questionnaires returned by individuals who sold land in the fourth quarter.

^{2/} The number reporting to have purchased land prior to 1916 is too small to provide an adequate sample for each individual year. Therefore 5 year groupings are used.

BUYER'S EQUITY

Fifty-two percent of the individuals purchasing land have been able to pay cash for the land they bought (table 8). The present quarter is the second quarter in which over half of the purchasers did not mortgage their

TABLE 8. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties, North Central Region, fourth quarter, 1943

Area	Total transfers class- ified	Method of financing			Buyer's equity	
		Cash sales	Cash and Mort- gage	Purchase con- tracts	In mort- gaged proper- ties 1/	In all proper- ties deeded
	Number	Percent				
<u>CORN BELT AREAS</u>	342	48	51	1	44	69
Central Indiana-Ohio	187	36	64	0	40	63
Illinois-Indiana Cash Grain	46	63	37	0	47	78
Illinois-Iowa Livestock	37	59	41	0	45	73
Central and Northern Iowa	46	48	50	2	47	71
Western Iowa	26	23	73	4	37	50
<u>CORN BELT FRINGE AREAS</u>	644	55	43	2	35	64
Toledo General Farming	197	54	45	1	44	71
Lower Wabash River	119	52	48	0	40	65
Missouri Putnam Soils	71	45	55	0	30	51
Iowa-Missouri Pasture	76	61	39	0	33	61
Maryville-Greenfield Livestock	84	75	21	4	28	75
Southern Minnesota	51	37	63	0	32	52
LaCrosse-Dubuque Livestock	46	63	28	9	33	69
<u>DAIRY AREAS</u>	407	50	49	1	43	68
Northeastern Ohio	54	46	54	0	49	76
Lake Michigan	275	46	53	1	39	61
East St. Louis	78	73	27	0	48	81
<u>GENERAL FARMING AREAS</u>	587	55	45	0	37	68
Southeastern Ohio	85	55	45	0	39	74
Southeastern Indiana	149	55	45	0	43	69
Southwestern Missouri Plains	166	48	52	0	42	62
Central Minnesota-Wisconsin	113	58	42	0	38	66
Red River Valley	74	53	47	0	28	69
<u>MISSOURI-ILLINOIS COTTON AREA</u>	52	33	67	0	51	59
REGIONAL TOTAL	2032	52	47	1	39	67

1/ Includes purchase contracts.

property. This compares with the first half of 1942 when only 35 percent of the purchasers paid cash for their land.

In the corn belt area and the general farming area, the only two areas where the per acre value is below the regional average, 55 percent of the purchasers paid cash for their land. Sharp contrast is given by the cotton area which has the highest land value. In that area only 33 percent of the purchasers paid cash.

There has been no change from last quarter in percent of equity for all land purchased in the region. Buyers laid enough cash on the line to pay 67 percent of the price of all land transferred. Those who mortgaged their land have only a 39 percent equity in the property. This is a decrease from 41 percent last quarter and on the same level as the second quarter of this year. Up to this point there has been a continual increase in buyer's equity of mortgage financed property.

MORTGAGE FINANCING

Thirteen percent of all the land transferred in the current quarter has been financed through the seller. This continues to be the most prominent method of financing the purchase of land. Sellers hold a mortgage on 41 percent of the land purchased this quarter by mortgaging the property (table 9). Purchase money mortgages occurred most frequently in the corn belt fringe area.

Other new mortgages are held primarily by commercial banks and individuals. The percent of these new mortgages made by commercial banks has increased from 21 percent the previous quarter to 26 percent for the present quarter. Insurance did their largest loan business in the corn belt area.

Although buyer's equity in mortgaged property has dropped from the previous quarter, the average per acre indebtedness has also dropped. Average per acre indebtedness last quarter was \$47 compared to \$46 for the present quarter.

Interest charges on mortgages covering land purchased in the present quarter vary from 2 percent on loans made by individuals to 6 percent on loans made by commercial banks and individuals (table 10). 1/ Most of the mortgages carry an interest rate of 5 percent and 51 percent of the mortgage loans are made with interest rate of 5 or 6 percent. None of the loans reported carry more than a 6 percent rate of interest.

1/ The sample counties used in the study mortgage terms are Muskingum, Ohio; Seneca, Ohio; Wayne, Ohio; Madison, Ohio; Darke, Ohio; Livingston, Michigan; Gratiot, Michigan; Van Buren, Michigan; Lenawee, Michigan; Porter, Indiana; Knox Indiana; Steele, Minnesota; Cottonwood, Minnesota; Knox, Illinois; and Story, Iowa.

TABLE 9. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, fourth quarter, 1943, North Central Region 1/

Area	Other new mortgages by					
	Purchase	Individ-	FLB,	Insur-	Com-	
	money	uals	LBC	ance	mercial	Other
	mortgages:		& FSA	Co.	banks	
	2/					
(percentages)						
<u>CORN BELT AREAS</u>	37	9	12	11	28	3
Central Indiana-Ohio	24	14	13	2	36	11
Illinois-Indiana Cash Grain	20	20	30	10	20	0
Illinois-Iowa Livestock	50	0	7	0	36	7
Central and Northern Iowa	35	6	6	24	29	0
Western Iowa	73	7	7	7	6	0
<u>CORN BELT FRINGE AREAS</u>	46	19	10	3	21	1
Toledo General Farming	24	15	4	2	51	4
Lower Wabash River	16	18	9	5	52	0
Missouri Putnam Soils	46	27	5	0	14	8
Iowa-Missouri Pasture	58	16	21	0	5	0
Maryville-Greenfield Livestock	84	8	0	0	8	0
Southern Minnesota	36	24	8	12	20	0
LaCrosse-Dubuque Livestock	59	23	18	0	0	0
<u>DAIRY AREAS</u>	40	21	9	1	26	3
Northeastern Ohio	25	25	11	0	32	7
Lake Michigan	44	25	3	0	28	0
East St. Louis	44	0	31	6	13	6
<u>GENERAL FARMING AREAS</u>	40	18	4	2	31	5
Southeastern Ohio	41	12	0	0	35	12
Southeastern Indiana	33	8	0	0	53	6
Southwestern Missouri Plains	32	31	3	0	28	6
Central Minnesota-Wisconsin	44	15	0	0	41	0
Red River Valley	35	23	18	12	0	12
<u>MISSOURI-ILLINOIS COTTON AREA</u>	23	18	18	4	5	32
REGIONAL TOTAL	41	16	9	5	26	3

1/ Percentages of total number of new mortgages on tracts conveyed.

2/ Includes contracts.

TABLE 10. Proportion of new farm land mortgages made at various interest rates, by type of lender, 15 sample counties, fourth quarter, 1943
North Central Region

Type of Lender	Total Cases	Percent of total loans of each type of lender by interest rates										Not Given
		2%	3%	3½%	4%	4½%	5%	6%	7%	8%		
	Number	Percent										
Individuals	132	2	3	2	17	5	32	23	0	0	17	
Commercial banks	164	0	0	0	12	2	29	27	0	0	30	
Insurance Companies	9	0	0	0	11	11	11	0	0	0	67	
FLB and LBC	38	0	0	0	71	0	29	0	0	0	0	
Others	4	0	0	0	0	75	0	0	0	0	25	
TOTAL	347	1	1	1	20	4	29	22	0	0	22	

Two fifths of all the mortgages are made for a period of only 5 years or less (table 11). Undoubtedly many of these borrowers are planning on the continuation of present agricultural prices for at least 5 years in the hopes of paying off their mortgages in that time. Nevertheless many of these loans will very likely have to be refinanced at the end of this period.

TABLE 11. Proportion of new farm mortgages made for various lengths of time, by type of lender, 15 sample counties, fourth quarter 1943, North Central Region.

Type of Lender	Length of Mortgage							
	Total	1 year	2, 3	5	6, 7, 8	10	Over	Not
	cases	or	or 4	Years	or 9	Years	10	Given
		Less	Years		Years		Years	
	Number	Percent						
Individuals	132	6	17	35	11	10	5	16
Commercial banks	164	10	8	20	7	20	5	30
Insurance companies	9	0	0	0	0	44	33	23
FLB and LBC	38	0	0	0	0	0	92	8
Other	4	50	0	25	0	0	0	25
TOTAL	347	7	11	23	7	15	15	22

The one favorable spot in the whole mortgage situation is the fact that three fifths of the mortgages provide for either full or partially amortized repayment (table 12). This will permit borrowers to reduce the principal of their mortgage during this period of high income.

TABLE 12. Arrangements for repayment of principal included in new farm mortgages, by type of lender, 15 sample counties, fourth quarter 1943, North Central Region

Type of Lender	Total Cases	Percent of total mortgages			
		Fully Amortized	Partially Amortized	Not Amortized	Not Given
	Number	Percent			
Individuals	132	24	30	30	16
Commercial banks	164	32	30	23	15
Insurance companies	9	45	11	0	44
FLB and LBC	38	100	0	0	0
Other	4	0	0	75	25
TOTAL	347	37	26	23	14

RESALES

The percent of land purchased and resold within the period of a year provides an index to the degree of speculation in the land market.

A record of the number of tracts sold two or more times in 15 sample counties ^{1/} since December 31, 1940 indicates that the amount of land resold within one year of the purchase date averages only about 7 percent of the total sales (figure 2). This percentage has not varied significantly during the period of the study. Therefore, we cannot attribute any appreciable part of the present rising volume of land transfers to resales.

The increase in price which usually accompanies a quick resale declined quite markedly from the peak of a 24 percent increase in price for land resold in the first quarter of 1943 to 16 percent for land resold in the third quarter of the same year. None of this land was held more than one year.

^{1/} See table 13 for the counties used in the study of resales.

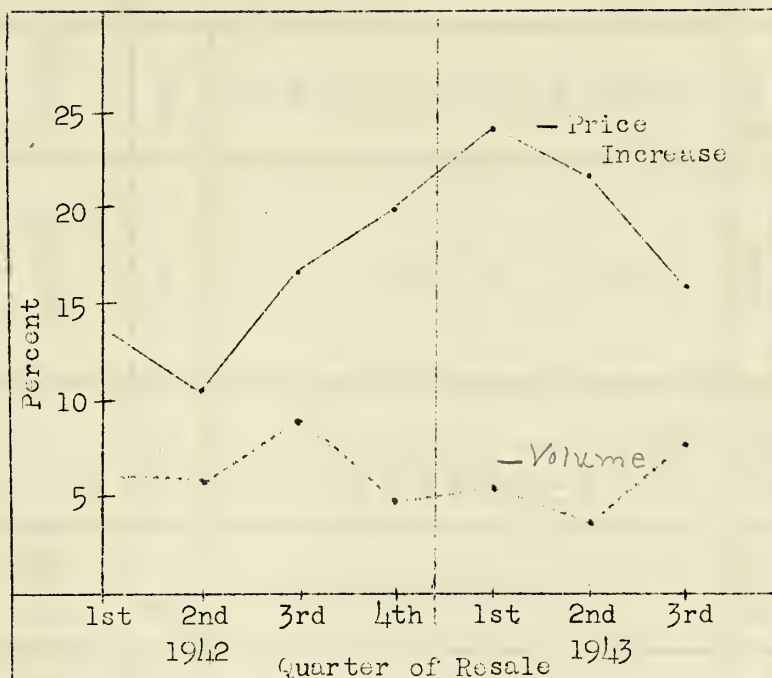


Fig. 2. Percent of total quarterly sales resold within a year and the average percent increase in price, by quarter of resale. 1/

Although resales do not present much of a problem when considered on a regional basis, there are areas in which they deserve attention. In some counties the volume of land resold within a period of two years accounts for one fourth or more of the total number of tracts transferred in the third quarter of the current year and averaged 10.6 percent of all land transferred (table 13).

The average percentage change in price for these resales netted the sellers 12 percent more for the land than they originally paid.

Statements given by sellers as to the year they acquired the land indicates that land sold in the fourth quarter of 1943 was retained in ownership an average of 12 years (Figure 3); one year less than the average for land sold last quarter. Twenty eight percent of the current quarter sellers had possession of the land for only four years or less.

1/ Legal descriptions were compared for all farm land transfers in the sample counties to determine which tracts had changed hands more than once during the two and one-half year. Purchase and sales prices were used in determining the change in price or gross profit of the seller. It should be recognized that sales costs have not been taken into account in computing profit.

TABLE 13. Number and percentage of third quarter 1943 Sales purchased since December 31, 1940, and the percentage change in price by intervals. $\frac{1}{1}$

[illegible]



FIG. 3. Number of tracts sold in the fourth quarter 1943 plotted by the year acquired. 1/

OUTLOOK

It would appear that by this time most all of the farm land is in strong hands, being held by persons who have bought for a home or an investment and that future sales will only be made at further advanced prices.

The outlook is for favorable agricultural prices for at least two years. High incomes will very likely continue for the same period and present and future debt reductions will create greater reserves of purchasing power. The probable result will be higher prices being paid for land by persons seeking homes, an investment opportunity or the chance to speculate on the rising land market.

Heavy mortgage indebtedness is one of the principle causes of agricultural distress during periods of deflation and should be avoided by individuals purchasing land at present prices. The present quarter marks a halt in the advance of buyer's equity in mortgaged properties. This may be the turning point toward larger mortgage indebtedness and will merit close observation.

1/ Based on the statements of 379 persons selling land in the fourth quarter.



APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio

- *Grant County, Indiana
- Rush County, Indiana
- *Tippecanoe County, Indiana
- Darke County, Ohio
- Madison County, Ohio

Illinois-Indiana Cash Grain

- Logan County, Illinois
- Champaign County, Illinois
- Livingston County, Illinois

Illinois-Iowa Livestock

- Knox County, Illinois
- *Ogle County, Illinois
- Cedar County, Iowa

Central & Northern Iowa

- Denton County, Iowa
- Cerro Gordo County, Iowa
- *Palo Alto County, Iowa
- Story County, Iowa

Western Iowa

- Crawford County, Iowa
- Montgomery County, Iowa

Corn Belt Fringe

Toledo General Farming

- Adams County, Indiana
- Putnam County, Ohio
- Seneca County, Ohio
- Lenawee County, Michigan

Kankakee River

- *Newton County, Indiana
- *Noble County, Indiana

Lower Wabash

- Parke County, Indiana
- Knox County, Indiana

Missouri-Putnam

- *Audrain County, Missouri
- Monroe County, Missouri

Iowa-Missouri Pasture

- Clarke County, Iowa
- Harrison County, Missouri

Maryville-Greenfield

- Nodaway County, Missouri
- Adair County, Iowa

Southern Minnesota

- Cottonwood County, Minnesota
- *McLeod County, Minnesota
- Steele County, Minnesota

LaCrosse-Dubuque

- Fayette County, Iowa
- Lafayette County, Wisconsin
- *Winona County, Minnesota

Central Michigan

- Livingston County, Michigan
- Gratiot County, Michigan

Dairy Areas

Northeastern Ohio

- *Medina County, Ohio
- Wayne County, Ohio

Lake Michigan

- Brown County, Wisconsin
- Jefferson County, Wisconsin
- *McHenry County, Illinois
- Porter County, Indiana
- Van Buren County, Michigan

East St. Louis

- Clinton County, Illinois
- Macoupin County, Illinois

General Farming

Southeastern Ohio

- Muskingum County, Ohio
- Pike County, Ohio

Southeastern Indiana

- Jennings County, Indiana
- Ripley County, Indiana

Southwestern Missouri Plains

- Johnson County, Missouri
- Lawrence County, Missouri

Central Minnesota-Wisconsin

- Barron County, Wisconsin
- *Morrison County, Minnesota

Red River Valley

- Stevens County, Minnesota
- Norman County, Minnesota

Cotton Area

- Pemiscot County, Missouri

*Omitted this quarter

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